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PHYSICIANS' SERVICES INCORPORATED

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2221 Yonge Street, Toronto 7, Ontario
Hudson 7-3311

December 5th, 1963.

Mr. L.E. Turner,
Ontario Economic Council,
7th Floor,
481 University Avenue,
Toronto 2, Ontario.

Dear Mr. Turner:

We are enclosing for the information of the Medical Services Insurance Enquiry twenty-five (25) copies of certain pages of minutes (19, 20 and 21) of the meeting of the Committee of the Whole held in the Committee Room, No. 1, Legislative Building Queen's Park, Toronto, on Wednesday, the 27th of February, 1963.

These pages are referred to on page 60, para 155, of our Submission.

We trust this will be of assistance to you in your deliberations.

Sincerely yours,

PHYSICIANS' SERVICES INCORPORATED,

J.O. Lockhart, M.D.,
President.

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coming from outside our bounds. What about the carriers?

MR. BERRY: I think 31 days is in here as a possible period. It could be 45, but I do not think it should be a period that sort of lets a man wait until the house is on fire before he asks you to come and put the fire out.

THE CHAIRMAN: "Pooling Arrangement." Am I correct in my understanding here that differing from the original concept which I understood meant that all carriers would involve themselves or would become, by law, involved in the pooling arrangement, this is now left up to the determination of the carrier? He may enter or he may stay out. Is my understanding in this respect clear?

MR. BERRY: I would like to ask Mr. George Watson to speak to this point. He was Chairman of the Committee on Mechanics.

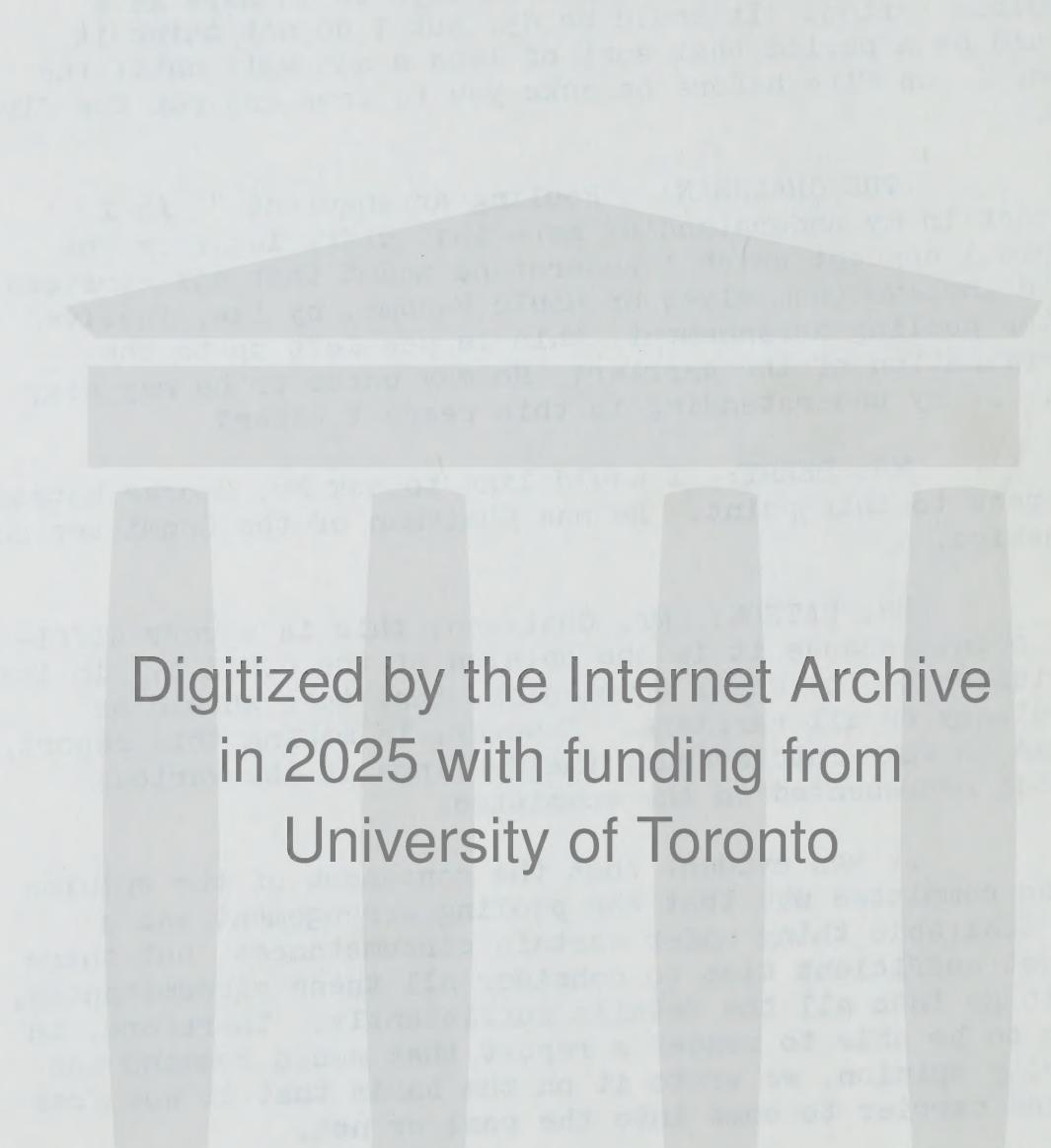
MR. WATSON: Mr. Chairman, this is a very difficult point because it is the opinion of the C.H.I.A., in its submission to the Royal Commission, that this should be compulsory on all carriers. However, in making this report, we had to take into account the feelings of the various persons represented on the committee.

It was evident that the consensus of the opinion of the committee was that the pooling arrangement was a very desirable thing under certain circumstances, but there was not sufficient time to consider all these circumstances, nor to go into all the details sufficiently. Therefore, in order to be able to render a report that would command the majority opinion, we wrote it on the basis that it was free for the carrier to come into the pool or not.

Now, we believe that that has some grave difficulties, but in an interim report that was the best we could do.

We have heard from one representative already, A.M.S., who dissents from the idea entirely of making it a compulsory program.

I think it is an area that needs further study and consideration. I think it is an area that needs to be considered very carefully by the prepaid plans, but I feel that if the program goes ahead, the insurance companies will have to form a pool to protect their solvency and will have



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to require that all insurance companies come into that pool. What the prepaid plans may do in regard to their solvency, having a big brother, which we do not, that will be for them to decide, but I think this will be something that will require a lot more study than has been given so far.

THE CHAIRMAN: Do I take it from this, Mr. Watson, this is a matter which (a) the prepaid plans and yourselves might well discuss vigorously, and, (b) is there any possibility with this arrangement that the insurance companies would be able to exclude the poor risk, the high-cost risk, so that they would be forced to turn to the prepaid plans? Would there be any possibility of that happening? I am not imputing any ulterior motives to anyone.

MR. WATSON: Mr. Minister, I do not believe that is the objective. The objective is that every carrier will be fully desirable of enrolling in the plan the high-cost risks. We fear that if anyone stays out of the pooling arrangement, that particular carrier may not vigorously enroll the aged and the other high-cost risks, and this is the only thing that worries us if it is not made compulsory.

However, on the other hand, as far as our membership is concerned, we feel our members have to set up a pooling arrangement for their own protection. We feel that somehow or other they will have to be brought into that pooling arrangement, and we would like to see the prepaid plans come into the arrangement as well. If not into that pool, into a separate pool.

We would like to see that happen because we very strongly believe, unless that is done, this whole program may not succeed the way we would like it to succeed.

THE CHAIRMAN: This pooling arrangement could be done within your own organization? It would not call for legislation?

MR. WATSON: We cannot answer that at the moment. We feel that we must somehow or other make sure that some carriers do not escape their responsibility. Just how that would be accomplished, we do not know. When I speak of carriers I am speaking of insurance companies. We have many insurance companies in our membership. I believe there are approximately 97 insurance companies doing business in this province in this particular field. We would not like to see an arrangement whereby the more responsible elements conducted their business in line with this report, and that

some others stayed out and, as a result, made a financial benefit. Somehow or other we have to solve it.

In conclusion, I would like to say I hope a more vigorous discussion could go on to reach what I might refer to as a more satisfactory conclusion for the entire industry, both prepaid plans and the insurance companies, having in mind the interests of both, and trying to find a formula which will not do any damage to either one.

DR. MILLAR: I wonder if I could say a word or two about this. A great deal depends on the way the premiums are established. If the premiums are established as mentioned somewhat farther on here in step form where a man's premium raises as he grows older and becomes a greater risk, and when he has reached 65 the premium will be higher than the community-rated premium of the prepaid plan which remains the same throughout his life.

At this point this man, who is now age 65 or is a bad risk, will have a premium which is higher than the community-rated premium of the prepaid plans, and he would be crazy if he didn't resign and immediately seek a contract from the prepaid plan because it would be cheaper.

Under this system, whether the prepaid plans entered the pool or not, eventually, I think, all the old people and bad risks would gravitate to the prepaid plans, and this does not make any difference whether there is a pooling arrangement or not as far as I can see. Even if there is a pooling arrangement, the older people will still have a higher premium.

I think, however, companies will be involved in this, too. I believe MediCall will have the same, and one of Cumba's argument is like this. So this is quite a problem. I do not think it has all been solved in this report at all, and if it has been, I would like to hear it.

When we first heard of it at our meeting at O.M.A., it was my understanding the standard plan would have premiums, standard premiums, and to this extent old folks could be put in the pool, but with this step type of premium I do not think there will be anything other than a problem, pool or no pool.

THE CHAIRMAN: I did not read it that way. We will come to this as we go along. While I recognize it is a step premium suggested, I did not feel there was unanimity

